

Message Text

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70

ACTION EUR-25

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CIEP-03 SS-20 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

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INFO USLO PEKING

AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

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AMEMBASSY ROME

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LIMITED OFFICIAL UES EC BRUSSELS 6797

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E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: EC SAFEGUARD MEASURES FOR CANNED MUSHROOMS

REF: (A) EC BRUSSELS 6094 (NOTAL); (B) STATE 190702; (C) EC BRUSSELS

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1. BEGIN SUMMARY: THE EC COMMISSION HAS DECIDED ON THE QUANTITY OF CANNED MUSHROOMS FOR WHICH IMPORT LICENSES WILL BE ISSUED UNDER THE COMMUNITY'S SAFEGUARD REGIME FOR THAT PRODUCT. IN GENERAL, LICENSES WILL BE ISSUED ONLY FOR A MONTHLY VOLUME OF IMPORTS EQUAL TO 50 PERCENT

OF THE QUANTITY IMPORTED IN THE CORRESPONDING MONTHS OF 1973. TAIWAN HAS DECIDED NOT TO AGREE TO A MINIMUM PRICE ARRANGEMENT IN LIEU OF RESTRICTIVE LICENSING. OTHER MAJOR SUPPLIERS HAVE NOT YET INFORMED THE COMMISSION WHETHER THEY WILL OPT FOR MIP'S OR BE SUBJECT TO RESTRICTIVE LICENSING. WHATEVER THE CHOICE, EC IMPORTS OF CANNED MUSHROOM ARE EXPECTED TO FALL SHARPLY DURING THE REMAINDER OF 1974
END SUMMARY.

2. UNDER THE EC SAFEGUARD MEASURES FOR CANNED MUSHROOMS, IMPORTS FOR THIRD COUNTRIES WHICH DO NOT AGREE TO MINIMUM IMPORT PRICES FOR THEIR PRODUCTS ARE SUBJECT TO RESTRICTIVE IMPORT LICENSING. ON AUGUST 30, THE COMMISSION, BY REGULATION NO. 2266/74, ESTABLISHED THE QUANTITY OF CANNED MUSHROOMS FOR WHICH LICENSES WILL BE ISSUED. BEGINNING SEPTEMBER 2. THIS REGULATION SPECIFIES THAT LICENSES FOR CANNED CULTIVATED MUSHROOMS WILL BE ISSUED FOR THE QUANTITY SPECIFIED IN THE LICENSE APPLICATION OR 50 PERCENT OF THE REFERENCE QUANTITY, WHICHEVER IS LOWEST.

3. AS EXPLAINED IN REF. B, THE REFERENCE QUANTITY FOR EACH LICENSE APPLICANT IS EQUAL TO THE QUANTITY OF MUSHROOMS BE IMPORTED INTO THE COMMUNITY IN 1973 DURING EACH MONTH SPECIFIED IN THE LICENSE APPLICATION, OR THE AVERAGE QUANTITY BE IMPORTED DURING THE RELEVANT MONTHS IN 1971-73, IF THIS AVERAGE EXCEEDS HIS IMPORTS DURING THOSE MONTHS IN 1973.

4. ACCORDING TO COMMISSION OFFICIAL, IN ALMOST ALL CASES THE REFERENCE QUANTITY WILL BE BASED ON IMPORTS IN 1973. THEREFORE, FOR ALL PRACTICAL PURPOSES, UNDER THE RESTRICTIVE LICENSING ARRANGEMENT, IMPORTS DURING THE LAST FOUR MONTHS OF THIS YEAR PROBABLY WILL BE LIMITED TO 50 PERCENT OF THE QUANTITY IMPORTED DURING THE CORRESPONDING MONTHS OF 1973. THE COMMISSION CAN INCREASE OR DECREASE THIS PERCENTAGE AS IT DEEMS APPROPRIATE.

5. WE HAVE DISCUSSED WITH OFFICIALS IN THE COMMISSION'S
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AGRICULTURAL DIRECTORATE THE QUESTION RAISED IN REF. B ON THE SAFEGUARD MEASURES. THESE OFFICIALS INFORMED US THAT TO DATE NO THIRD COUNTRIES HAVE OPTED FOR A MINIMUM PRICE ARRANGEMENT IN LIEU OF RESTRICTIVE LICENSING. TAIWAN HAS INFORMED THE COMMISSION THAT IT WILL NOT AGREE TO MINIMUM PRICES AND HENCE ITS PRODUCTS WILL BE SUBJECT TO THE 50 PERCENT LIMITATION. KOREA AND PRC, THE OTHER TWO PRINCIPAL SUPPLIERS, HAVE NOT YET MADE KNOWN THEIR CHOICE. COMMISSION OFFICIALS DOUBT THAT THE PRC WILL CHOOSE A MINIMUM

PRICE ARRANGEMENT. THEY ARE LESS CERTAIN ABOUT KOREA. THEY THINK THAT KOREA MAY OPT FOR AN MIP ARRANGEMENT BUT THEY ARE BY NO MEANS POSITIVE.

6. COMMISSION OFFICIALS ARE VERY HESITANT TO REVEAL THE MINIMUM IMPORT PRICES THAT THEY HAVE DISCUSSED WITH THE SUPPLYING COUNTRIES. HOWEVER, AFTER MUCH PROBING, IT IS OUR IMPRESSION THAT THE AVERAGED PRICE DISCUSSED IS BETWEEN 270-280 DM/QPP KG.,CIF GERMAN FRONTIER. THIS PRICE, WHICH DOES NOT INCLUDE THE CUSTOMS DUTY OF 23 PERCENT, IS APPROXIMATELY EQUAL TO THE AVERAGE IMPORT PRICE IN GERMANY FOR FRENCH AND DUTCH MUSHROOMS DURING THE PAST YEAR.

7 SURETY DEPOSITS ARE REQUIRED ONLY WHEN IMPORTS ARE SUBJECT TO IMPORT LICENSING. AN MIP SYSTEM WOULD INVOLVE NO SUCH DEPOSITS. IN THE EVENT MIP'S ARE NOT RESPECTED, IMPORTS FROM THE COUNTRY CONCERNED WOULD BE SUBJECT TO IMPORT LICENSING.

8.THE IMPACT OF THE SAFEGUARD MEASURE ON IMPORTS FROM COUNTRIES SUCH AS TAIWAN WHICH DO NOT AGREE TO MIP'S SEEMS CLEAR: IMPORTS FROM THESE COUNTRIES DURING THE LAST FOUR MONTHS OF THIS YEAR PROBABLY WILL BE CUT BY 50 PERCENT COMPARED TO IMPORTS DURING THE CORRESPONDING MONTHS OF 1973. UNDER AN MIP ARRANGEMENT, WE WOULD EXPECT THE RATE OF IMPORTATION WOULD SLOW CONSIDERABLY. IMPORT PRICES OF KOREAN MUSHROOMS IN GERMANY HAVE BEEN SIGNIFICANTLY BELOW THE IMPORT PRICES OF FRENCH AND DUTCH MUSHROOMS. THIS WOULD NO LONGER BE THE CASE UNDER AN MIP SYSTEM, WHICH WOULD DISCOURAGE SALES OF THE KOREAN PRODUCT.IF AS SEEMS LIKELY, THE MIP'S ARE BASED ON AVERAGE WHOLESALE PRICES FOR THE FRENCH AND DUTCH MUSHROOMS, THE MIP'S PLUS CUSTOMS DUTY SHOULD GIVE EC PRODUCTS A DEFINITE COMPETITIVE ADVANTAGE. THE PURPOSE OF THE SAFEGUARD MEASURES, OF COURSE,IS TO RESTRICT SALES OF FOREIGN MUSHROOMS AND ENCOURAGE SALES OF FRENCH AND DUTCH MUSHROOMS.

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9. ACCORDING TO THE COMMISSION, EC CANNED MUSHROOMS IMPORTS IN THE FIRST SIX MONTHS OF 1974 WERE ABOUT 50 PERCENT ABOVE IMPORTS DURING THE CORRESPONDING PERIOD A YEAR EARLIER. COMMISSION OFFICIALS ESTIMATE THAT IMPORTS FOR ALL OF 1974 WILL APPROXIMATE THE QUANTITY IMPORTED IN 1973 OF 40,000 EQUALS MT. THIS ESTIMATE SHOWS THAT THE COMMISSION EXPECTS A SHARP DROP IN IMPORTS DURING THE LATTER PART OF THIS YEAR AS A RESULT OF THE SAFEGUARD MEASURES.GREENWALD

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